

MEMORANDUM

To: Parties to PSB Docket No. 7307

From: Susan M. Hudson, Clerk of the Board

Re: Filings Under Paragraph 59(C) of MOU

Date: December 3, 2010

On November 29, 2010, the Public Service Board ("Board") requested that three distribution utilities submit filings required by Paragraph 59(C) of the Memorandum of Understanding in this proceeding, which had been incorporated as conditions of the Board's Order approving the MOU. Since that time, the Board has received several inquiries concerning the nature of the filings. This Memorandum is to clarify the obligations of the distribution utilities under that paragraph.

Paragraph 59 of the MOU provides for two submissions by the distribution utilities. The first filing, under Paragraph 59(A), required each distribution utility to submit information responsive to questions contained in Section 10 of Act 92 (2007 Adj. Sess.). These filings were submitted. In addition, Paragraph 59(C) required each utility to file a report with the Board describing ongoing AMI efforts. The parameters for this report were further defined in a letter submitted jointly by the distribution utilities on February 17, 2009. Specifically, the Hearing Officer asked the parties about when each utility would be providing a more detailed assessment of cost effectiveness. The letter set out the following question and response.

Q1b. Would the report required by paragraph 59A (and in particular, subsection (b)(4) of Section 10 of Act 92) address these issues in a sufficiently comprehensive fashion to allow for an initial determination of cost-effectiveness?

A1b. The parties to the MOU contemplated that the reports under paragraph 59C, rather than the responses under paragraph 59.A, would be the main vehicles for initial determination of cost effectiveness. A primary purpose of the paragraph 59A responses was to render assistance

to the Board in the preparation of its Act 92 report relative to smart metering. The more refined evaluation sought in Act 92, section 10 question (b)(4) is expected to be a product of, and not precursor to, the activities contemplated under the MOU between its adoption and the filing of the reports due under paragraph 59C of that MOU. This approach ensures that the parties will have all benefits of the formal and informal collaborations that will occur under the MOU, and can thus provide much more meaningful evaluative information than would presently be the case.

The Board's Order relied upon this report, which the Board found would "represent a comprehensive analysis of the cost-effectiveness of AMI for each utility."¹ These submissions were due on November 3, 2010, from all distribution utilities.

The Board has also received a request from VEC to clarify that Paragraph 52 of the MOU remains operative. That section states that:

Any DU wishing to deploy AMI and Smart Meters may, in its discretion, make a filing with the Board setting out the DU's Business Case and AMI Implementation Plan for the introduction of AMI, or a phase or portion thereof, within the DU's service area.

The Board addressed this issue in its August 3, 2009, Order. The Board approved the MOU, including Paragraph 52. As part of that approval, the Board rejected the Hearing Officer's recommendation that prior Board approval be required for investments in advanced metering infrastructure. But the Board also stated that while it had decided to make preapproval discretionary:

we want to make clear that we expect that any utility AMI implementation plan that is significant in scope will be submitted to the Board for review and approval. The determination of significance should be based upon each utility's specific circumstances and the scope and cost of the AMI project relative to the utility's overall costs. We also expect to continue to monitor utility progress towards AMI deployment and may require pre-approval in particular circumstances. We expect this judgment to be informed by the analysis of the cost-effectiveness of AMI deployment that each utility is required to develop by paragraph 59(C) of the MOU. Where that analysis shows that a large-scale implementation of AMI would be cost-effective for a particular utility, we may direct the utility to seek pre-approval. At this time, however, we have insufficient information on the costs and benefits for each utility, so will simply adopt the MOU provision allowing the utility discretion to seek pre-approval.²

¹See Order of 8/3/09 at 21.

²Order of 8/3/09 at 32–33.